so that they may take hold of internal improvements, will, I fancy, scarcely find much approbation. Our chief internal improvements now are railroads and telegraphs, and if the government is to take hold of them, it will be the one federal government, not thirty-eight state governments.

RICHMOND M. SMITH.

The Relation of the State to Industrial Action. By HENRY C. ADAMS, Ph.D. Publications of the American Economic Association, Volume I, number 6. — 8vo, 86 pp.

Professor Adams' *Relation of the State to Industrial Action* is interesting in a double sense, both as showing what a certain class of thinkers, of whom he is so eminent a representative, really mean, and also as showing what they do not mean. The essay is a revision of a paper printed last year under the title *Principles that should control the Interference of the State in Industries;* but the ideas are materially expanded in the present monograph. Professor Adams starts with the reflection that there is at present an undeniable and increasing clamor for extension of governmental powers in social relations, and proposes to subject the demand to a searching analysis, in order to discover if possible a guiding principle. He clears the ground by discussing the doctrine of *laissez faire* as formulated by the English school, and as the outcome of the Spencerian social philosophy. This is a comparatively easy task, and has been repeatedly performed by others. Professor Adams concludes that the doctrine cannot lay claim to scientific pretensions, and that "the abandonment of its scientific pretension [by Cairnes and others] destroyed whatever authority English economy ever had as a guide for constructive economics, except so far as it is an accidental expression of the instinct of conservatism." He objects to the English political philosophy because it regards the state as a necessary evil; he equally objects to the German political philosophy because it conceives of the state as an organism complete in itself. In Germany the presumption is in favor of the state; in England the presumption is in favor of the individual. Both ideas, Professor Adams asserts, are incorrect. He would have society recognized as a unity, without any exaggeration of either public or private duties.

Coming then to the constructive side of the argument, Professor Adams maintains that the state may determine the plane of competitive action. Free competition tends to lower the moral sense of a community, to force the business man down to the moral level of the most unscrupulous competitor. Hence the economical defence for factory legislation, which does not curtail competition but simply raises the

plane of competition. It succeeds in removing serious abuses without abrogating the benefits of individual action. This is the true sense of the claim that the state is a moral agency. "The state must regulate competition to the demands of the social conscience."

Secondly, the state may realize for society the benefits of monopoly. Industries may be divided into three classes: industries with constant returns, where an increase of capital and labor brings a proportionate increase of product; industries with diminishing returns, where increased capital and labor do not bring a proportionate increase of product; and industries with increasing returns, where increased capital and labor bring progressively increased products. The first and second classes, which include the majority of retail business as well as agriculture, call for no interference by the government. Individual interest may be relied upon to give the most efficient results. But in industries of the third class, which usually take the form of corporations, the matter is different. They are by nature monopolies, and free competition is impotent to protect the public. Public control of such corporations is imperative.

Thirdly, Professor Adams maintains that one cause of our political corruption and administrative weakness lies in the self-abnegation of our public authorities, our municipal and state governments. In giving the corporations free scope and attempting to apply the principle of competition to what is a monopoly, government has become more corrupt, and the public element in corporations has been lost sight of.

In this suggestive monograph the main point that strikes the reader is its essential conservatism. It is the best proof of the fact that an abandonment of *laissez faire* does not connote socialism or anything materially approaching socialism. Professor Adams expressly and repeatedly shows that the old principle of personal responsibility is instinct with vitality. He believes that the labor problem must be worked out on the basis of free contract, and maintains that the state must not control labor relations. This analysis simply results in the demand for factory legislation — which will be denied by no one to-day — and in the claim for public control over corporate monopolies.

It may be interesting to compare with the views here presented those of the leader of the extreme faction of the historical school in Germany, Professor Gustav Schmoller. Schmoller lays down five principles for healthy social reform, which are as much negative as positive. (1) The state must be essentially conservative. A complete reconstruction of society in the socialistic sense is an impossibility, and would be a fatality. (2) The state must not attempt to act directly, but all social reform must be preceded by a careful scientific discussion. Immature experiments are always harmful. (3) The laborer must be led to an inde-

pendent reform. State and society may give him a temporary crutch to lean upon, but the main thing is to educate him to a point where he can do without the crutch. (4) The state must never rob the rich for the sake of the poor. (5) The state must refrain as much as possible from direct interference with wealth of individuals, but must strive to influence indirectly the moral sentiments of the people; *e.g.*, by education, factory laws, sanitary laws, incentives to increased thrift, *etc.* If only facts and not fancies be regarded, it will be seen that the opponents of *laissez faire* are verily the true conservatives.

Only a few words of criticism are permissible. Professor Adams does not give a precise analysis of his concept "state." He evidently uses the term as synonymous with government, whereas in political philosophy the state is the whole of which the government is only an organ. The relations of state and society, which the author treats somewhat in Gneist's manner, are not adequately worked out, and might give rise to at least serious discussion. Finally, the assertion that those who advocate an extension of federal powers are not federalists but imperialists rests on a very slender basis of constitutional law, and confounds constitutional liberty with administrative decentralization. But in so far as the purely economic argument is concerned, the reasoning is close, the analysis is clear, and the conclusions eminently conservative.

E. R. A. SELIGMAN.

The First Nine Years of the Bank of England: An Inquiry into a weekly record of the price of bank stock from Aug. 17, 1694, to Sept. 17, 1703. By JAMES E. THOROLD ROGERS. Oxford and New York, Macmillan and Co., 1887. — 8vo, xxxi, 183 pp.

While in quest of materials for the fifth and sixth volumes of his monumental work on the *History of Agriculture and Prices*, Professor Rogers found a weekly register of the price of Bank of England stock in a statistical paper published at the time by an apothecary, John Houghton. Professor Rogers here republishes the register, and comments on the successive fluctuations by explaining both the internal and external politics which attended the bank's birth and infancy. His object is to throw light on "the relations of a subsidiary currency to genuine industry and to genuine capital," for he believes that "speculative political economy has been a most dangerous guide," and that "nothing but inductive political economy is to be trusted as an interpreter of facts."

With the exception of the Bank of Amsterdam no institution of credit has had a more signal influence on public prosperity than the Bank of England. It was chartered in 1694, but under severe restrictions; it passed through almost three years of experiment and opposition; and